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May 17, 2006

Mrs. Susan Hudson, Clerk  
Vermont Public Service Board  
Drawer 20, 112 State St.  
Montpelier, VT 05602-2701

Re: Energy Efficiency Utility Proposed Budget

Dear Mrs. Hudson:

On May 10, 2006, the Department of Public Service ("Department") issued a final draft of the Energy Efficiency Potential Study ("Study"), performed by GDS Associates. The Public Service Board ("Board") has set May 17 as the date to file comments on the Study and recommendations for the 2006, 2007 and 2008 budgets for the Energy Efficiency Utility ("EEU"). This letter constitutes fourteen municipal electric utilities<sup>1</sup> response to the Study and suggestions concerning other EEU matters not the focus of the Energy Efficiency Potential Study.

The conclusion of the Study is that the EEU could reduce 20% of the 2015 projected peak load (1,287 GWh annually) if it had an annual budget of \$30.5 million (twice its current budget). In this scenario, the EEU would pay 50% of the efficiency costs and the recipient of the benefit of the efficiency measure would pay the other 50% of the costs. If the EEU paid 100% of the efficiency costs, it would need a \$47 million annual budget (three times its current budget) to achieve the 20% reduction. The municipals favor the scenario where the EEU pays 50% of the efficiency costs and the customer pays the other 50% of the costs. This incentive level is in line with other state programs cited in the Study and creates a better balance in equity between those that receive direct benefits from the EEU and those that do not.

Surcharge. The Study does not address whether the energy efficiency charge ("EEC") should continue to appear as a surcharge on the customers' bills. In the past, the EEC has appeared as a surcharge so it was easily distinguished from actual charges for electricity. The municipals recommend that the future budget provisions for the EEU continue this past practice.

<sup>1</sup> Barton Village, Inc. Electric Department; Enosburg Falls Electric Light Department; Hardwick Electric Department; Hyde Park Electric Department; Jacksonville Electric Company; Johnson Electric Department; Ludlow Electric Light Department; Lyndonville Electric Department; Morrisville Water & Light Department; Northfield Electric Department; Inc. Village of Orleans Electric Department; Readsboro Electric Light Department; Stowe Electric Department and Swanton Electric Department.


Public Relations. The municipals recommend that the Board increase the EEU's public relations efforts by the same proportion as it increases the total EEU budget. This will allow the EEU to expose its efficiency programs more extensively throughout the state and, hopefully, allow it to achieve broader efficiency savings. Moreover, the EEU should focus its public relations in areas of the state that are not traditionally covered by media sources as extensively as other areas.

Geographic & Customer Class Equity. The Study does not discuss where the EEU will or should invest its resources. In the past, there has been a geographic equity requirement in that the EEU had to spend money throughout all the service territories that contributed to the EEU budget. The municipals recommend that this requirement continue in the future EEU budgets. The municipals recommend that there also be a requirement that the EEU spend its resources equitably throughout all customer classes.

Opt Out Provision. The municipals support an opt out or exemption provision like that proposed by the Department in December, 2005. Such an opt out provision should be designed, however, so that if one customer opts out, it does not cause the other customers to have to increase their share of the EEU budget.

If you have any comments or questions, please do not hesitate to contact me.

Respectfully submitted,



Elijah D. Emerson

CC: Fourteen Municipal Electric Utilities  
Chuck Underhill, VPPSA  
Parties to the Proceeding (Act 61 Service List) (via e-mail)